ASSESSORS' HANDBOOK
SECTION 511

ASSESSMENT OF MANUFACTURED HOMES

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FOREWORD

Prior to the 1980 lien date, manufactured homes in California were subject to vehicle license fees in lieu of property taxes. This method of taxation changed effective March 1, 1980 when legislation was enacted mandating that manufactured homes on permanent foundations be assessed under property tax guidelines.

Subsequent legislation mandated that all new manufactured homes sold on or after July 1, 1980 are subject to property taxation. In addition, this legislation provided that any manufactured home purchased prior to July 1, 1980 is subject to property taxation if its registration has become delinquent for 120 days or more.

Assessing manufactured homes is a new experience for California assessors, prompting a need for standardized appraisal practices. The purpose of this handbook is to foster these standard practices.

This handbook was written by the staff of the Assessment Standards Division and was subsequently reviewed by the Standards Committee of the California Assessors' Association.

It was adopted by the State Board of Equalization on August 2, 1984.

TABLE OF CONTENTS

CHAPTER 1: INTRODUCTION--THE HISTORY OF MANUFACTURED HOMES

In past years, a mobilehome was a vehicle without motive power which was intended to provide living quarters in a temporary location. A permit was required to transport any mobilehome which was more than 8 feet wide or more than 40 feet long. Nevertheless, it was relatively simple and inexpensive to move the units, and this was frequently done.

The first mobilehomes were either custom-built or homemade with little or no standardization. In the early 1930's the first mobilehome manufacturing plants went into production. The units produced were small (6 feet by 9 feet), box-shaped and usually featured only a stove and bed.

In the 1940's the first "self-contained" units were being manufactured. The size had increased to 8 feet wide by over 30 feet long. About this time the industry began to differentiate between mobilehomes designed and used for full-time residences and travel trailers used for temporary living.

In the 1950's the size of the mobilehomes increased to 10-feet wide units; in the 1960's the width increased to 12 feet; and finally in the 1970's the 14-foot wide units were manufactured. The width of these mobilehomes made it difficult to move the units on the highways. The introduction of the two-section mobilehome in the early 1960's allowed easier movement on the highways and, more importantly, allowed more conventional floor plans.

With the advent of multi-wide units, it became increasingly common to think of mobilehomes as permanent living quarters. Although the multi-wide units were much more expensive to move, they were still considered vehicles subject to vehicle license fees. They did not meet local building codes and could not be placed on permanent foundations. Nevertheless, many mobilehomes began to take on appearances of permanency.

Beginning in the 1970's better construction and design of mobilehomes tended to elevate them to the same status as site-built homes. Behind this upgrading of quality lies the Federal Mobile Home Construction and Safety Act of 1974 which implemented a national uniform code applicable to all mobilehomes. This was a national building code which no state could alter by making its requirements either more or less stringent.

The effects of this code have helped to dispel negative perceptions concerning the quality of mobilehomes. It has also saved manufacturers from having to adapt to the more than 1,800 different local building codes. The uniform code is enforced at the manufacturing plants by United States Government-contracted inspections.

Even the terms for mobilehomes have evolved to more closely parallel those describing conventional residences: from "trailers" to "coaches," to "mobilehomes," and finally, by authority of the 1980 Housing and Community Development Act, to "manufactured housing." The change illustrates a shift in both government and consumer perception of mobilehomes.

Mobilehomes, also referred to as manufactured housing, may well be the affordable homes of the future. They have evolved into quality housing units; the zoning codes have been relaxed for them; the method of taxation has been modified; and financing opportunities have improved.

Mobilehomes look more like conventional residences, inside and out, and in many instances are being marketed and sold in well-planned subdivisions much the same as conventional housing.

CHAPTER 2: THE EFFECT OF LEGISLATION UPON MANUFACTURED HOMES

Beginning in 1979, a series of statutes were enacted by the State of California relating to the taxability and assessability of manufactured homes. The details and specifics of these pieces of legislation are not discussed in this handbook since the primary intent of this manual is to discuss the valuation aspects of manufactured homes. However, a brief overview of the changes in the method of taxation of manufactured homes is necessary to give the appraiser a better understanding of manufactured homes and the value influences affecting them.

Prior to 1980, virtually all manufactured homes were subject to licensing by the Department of Motor Vehicles. While they were taxed in much the same manner as boats and motor vehicles, the accessories not covered in the license fee calculation, such as any land improvements, carports, porches, and cabanas were subject to property taxes.

Assembly Bill 887 (Chapter 1160, Statutes of 1979) provided that manufactured homes installed on a foundation system would be subject to property taxation beginning with the 1980 lien date. From a property tax standpoint, when a manufactured home is permanently attached to a foundation system, either legally or otherwise, the manufactured home has been converted to real property and is subject to property taxation.

A second major change in the taxability of manufactured homes was brought about by Senate Bill 1004 (Chapter 1180, Statutes of 1979), which became operative July 1, 1980. Briefly, this act provided that all new manufactured homes acquired on and after July 1, 1980 are subject to property taxation. Also, effective July 1, 1980, all manufactured homes acquired prior to July 1, 1980 will become subject to property taxation if their annual registration (license) is allowed to lapse for a period of 120 days or more. Therefore, a manufactured home first sold before July 1, 1980 that has not been installed on a permanent foundation and that is less than 120 days delinquent in license fee remains subject to an annual vehicle license fee.

The license fee, which is a tax paid in lieu of property tax, is based on the manufactured home's value plus a registration fee. The Department of Housing and Community Development is responsible for determining and collecting the license fee. As long as these fees are kept current and the manufactured home is not on a permanent foundation, it will remain subject to the license fee, no matter how often the home is sold.

Legislation which was enacted September 26, 1980 (Senate Bill 1960) added section 65852.3 to the Government Code and amended section 18300 of the Health and Safety Code. This legislation further closed the gap between manufactured homes and site-built housing. It provided that no city or county in California can prohibit the installation of manufactured homes certified under the National Mobile Home Construction and Safety Standards Act of 1974 (42 U.S.C. Section 5401, et seq.) on a foundation system pursuant to section 18551 of the Health and Safety Code, on lots zoned for single-family dwellings. The city or county can subject any such manufactured home and the lot upon which it is placed to any of the same development standards to which a conventional single-family residence would be subject. These include building setback standards, side and rear yard requirements, standards for enclosures, access, vehicle parking, architectural and aesthetic requirements, and minimum square footage requirements. However, any architectural requirements imposed on the manufactured home structure itself shall be limited to its roof overhang, roofing material, and siding material. In no case may local government apply standards which would have the effect of totally precluding manufactured homes from being installed as permanent residences on lots zoned for single-family residences.

On February 17, 1982, the Governor approved Assembly Bill 1400 (Chapter 40, Statutes of 1982). This act allowed reinstatement to vehicle license fee status of manufactured homes that have become subject to local property taxation because of a delinquency in the payment of the vehicle license fee of 120 days or more. Basically, owners or assessees of manufactured homes that become delinquent have 60 days in which to file a petition with the Department of Housing and Community Development (HCD) for reinstatement of the vehicle license. HCD will reinstate the manufactured home to license fee status if it is determined that the delinquency occurred for reasonable cause.

Assembly Bill 3382 (Chapter 1465, Statutes of 1982) changed manufactured home assessment law as it relates to taxpayer notification, disaster relief, and reinstatement to vehicle license fee. This bill required HCD, not the assessor, to notify manufactured home owners of their delinquency and the impending consequences of allowing the delinquency to continue beyond 120 days. It also made manufactured homes, when totally destroyed in a disaster declared by the Governor, eligible for disaster relief by providing that replacement manufactured homes shall have vehicle license fees (VLF) or local property taxes in amounts equal to or less than those levied on the destroyed manufactured homes. Finally, Assembly Bill 3382 altered the procedure for reinstatement to VLF in that HCD must now accept petitions for reinstatement for 210 days following the expiration of VLF. Further, the manufactured home owner who has already paid delinquent fees or taxes to the county tax collector can receive a refund from the county before paying those same fees to HCD.

During the 1983 regular session of the Legislature, four significant bills were passed which affect the taxation of manufactured homes. These were Assembly Bill 800, Assembly Bill 1136, Senate Bill 191, and Senate Bill 797.

As Chapter 1051, Assembly Bill 800 created the “Senior Citizens Mobilehome Property Tax Postponement Law” allowing qualified senior citizens and certain disabled or blind persons to postpone payment of taxes on their owner-occupied manufactured homes which are subject to local property taxation. This program, which is administered by the State Controller, amounts to a low-interest loan from the State of California to pay property taxes. Previously, postponement was available only to owner-occupants of conventional houses. This change in law, effective January 1, 1984, brings manufactured homes to an equal status with conventional housing.

Assembly Bill 1136 (Chapter 1281, Statutes of 1983) modified manufactured home assessment statutes, as well as other areas of property tax law. It extended the deadline for filing a waiver of delinquency to obtain a return to vehicle fee status. Previously, a manufactured home owner whose manufactured home had become delinquent as to the annual vehicle license fee between July 1, 1980, and March 1, 1982, (and thus subject to local property taxation) was allowed until June 30, 1983, to file a waiver of delinquency with the Department of Housing and Community Development. The manufactured home owner was required to pay the delinquent vehicle license fee or show proof that property tax payments were current before being allowed to return to the vehicle license system. Chapter 1281 extended the final date for filing a request with HCD until January 1, 1984.

Senate Bill 191 (Chapter 349, Statutes of 1983) provides that manufactured home accessories, as defined, that are installed on a rented lot (as in a manufactured home park) with a manufactured home first sold before January 1, 1977, are rebuttably presumed to be already subject to the vehicle license fee. Such accessories are not assessable unless the accessory is a fixture or the manufactured home itself has become taxable due to a delinquency of the vehicle license fee for 120 days or more. Unless the county assessor has evidence to show that such accessories were not included in the calculation of the license fee base, such manufactured home accessories that are classified as personal property may not be assessed.

Senate Bill 797 (Chapter 807, Statutes of 1983) requires the county assessor, when determining the full cash value of a taxable manufactured home, to take into consideration, among other relevant factors, published value guides such as the "blue book" *(Kelley Guide to Manufactured Housing and Mobilehomes*) and National Appraisal Guide (*NADA Mobilehome/Manufactured Housing Appraisal Guide*). This enactment was an attempt to insure that the influence of in-park location would not be reflected in the taxable value of a manufactured home and to promote statewide uniformity in the assessment of manufactured homes.

The 1984 Regular Session of the Legislature produced four significant manufactured home acts. The earliest chaptered of these was Senate Bill 1928 (Chapter 1342, Statutes of 1984), which was signed into law as an urgency statute on September 25, 1984. This chapter extended eligibility for property tax postponement (which was originally made available to manufactured homes by Chapter 1051, Statutes of 1983) to those manufactured homes first sold new prior to July 1, 1980, the owners of which had voluntarily requested transfer from vehicle license fee status to local property taxation.

Senate Bill 2240 (Chapter 1692), which was approved September 30, 1984, provided that from July 1, 1984, until January 1, 1989 (unless a later law extended the expiration date) the acquisition of a manufactured home park by a specified legal entity composed of tenants of that park and formed for the purposes of acquiring the park and converting it to stock cooperative or condominium ownership shall be excluded from change in ownership.

Assembly Bill 3737 (Chapter 1578), enacted September 29, 1984, made blind and disabled persons, as defined, who also met the established criteria of residency, income and equity, eligible to postpone payment of property taxes on their manufactured homes.

Senate Bill 1841 (Chapter 1760), enacted October 1, 1984, as an urgency statute, inaugurated a major change in the assessor's manufactured home assessment program. It provided that, beginning October 1, 1984, delinquency of vehicle license fee would not cause a manufactured home to become subject to local property taxation. The last expiration date that could result in property tax liability was May 31, 1984. Annual license fees that expired on June 30, 1984, or later incurred only a penalty of $50 per transportable unit if the delinquency continued for 120 days or more.

In addition to these other provisions, Chapter 1760 also allows a manufactured home that has been enrolled on the local tax roll due to license fee delinquency to be reinstated as a vehicle, provided that the owner files a request postmarked no later than December 31, 1986, with the Department of Housing and Community Development. This request must include verification by the county tax collector that payment of property taxes on the manufactured home is current as of the date of filing.

The final significant provision on Chapter 1760 is that the annual filing with the assessor of occupancy reports prepared by manufactured home park owners or operators is no longer required. Instead, HCD will supply counties with monthly listings of all new registrations and titles to manufactured homes sited or to be sited in the counties.

CHAPTER 3: APPROACHES TO VALUE

COST APPROACH

The cost approach is probably the most utilized approach in the appraisal of manufactured homes for property tax purposes. It is the one approach to value that can be applied to all manufactured homes. It is particularly useful in valuing comparatively new manufactured homes and for valuing manufactured homes sited on land owned by another. The cost approach is not the exclusive approach; but even when the comparative sales or income approaches are used, the cost approach should also be considered.

It is generally desirable to make a cost estimate before using other approaches in the appraisal process because facts about the subject property will be gathered that will be useful in deriving other indicators of value.

The preferred cost to be used in the cost approach is the replacement cost rather than the reproduction cost. Reproduction cost is the outlay required as of a certain date to replace an existing manufactured home with an exact replica. Practically speaking, in some cases it would be very difficult, if not impossible, to estimate the cost of an exact replica of some older manufactured homes. In addition, certain structural and design features found in older manufactured homes are obsolete and would not be replaced in a substitute home. These factors render the reproduction cost less reliable as an indicator of market value, since the cost approach is based upon the principle of substitution.

Replacement cost, which is a better alternative, is the cost, as of a particular date, of replacing the existing manufactured home with a similar one having equivalent utility. A manufactured home of equivalent utility is one that will offer comparable shelter and amenities to a consumer. The replacement cost approach is the more meaningful one as far as the principle of substitution is concerned and consequently has the closest relationship to market value.

There are several sources of cost information available to the appraiser. Included in these sources are the *Kelley Blue Book, Manufactured Housing Guide, Used Values*; *NADA Mobilehome/Manufactured Housing Appraisal Guide*; Assessors' Handbook Section 531, *Residential Building Costs* (Section 531.35), and Marshall and Swift Publishing Company.

The data are presented differently in each of these sources, and it is imperative that specific directions for use and application be followed. For example, some cost services may include park location and manufactured home depreciation in the value estimate; in others these influences require separate adjustments.

Use of the Assessors' Handbook costs may be preferred because they are designed and presented in a manner familiar to most property tax appraisers. The same format is used for manufactured homes that is used for conventional residential improvements.

A most important portion of the cost approach to value is the estimate of depreciation. In the appraisal of manufactured homes, using the cost approach, depreciation is the difference between the replacement cost new and the present value. It is the measure of the value inferiority between the subject manufactured home in its present condition and a hypothetical new and similar one.

In most cases, the newer the manufactured home the more reliable the cost approach will be because of the difficulty in estimating depreciation for older manufactured homes. In Assessors' Handbook Section 531, *Residential Building Costs*, a depreciation table for manufactured homes is shown. The use of this table is suggested as a guide for appraisers and was developed, at least in part, from market sales. It is important to note that the suggested percentage rates are designed for a manufactured home in average condition. A separate allowance must be considered for deferred maintenance (cost to cure).

It is strongly urged that the appraiser carefully evaluate the condition of the manufactured home. Investigation has shown that the condition of a used manufactured home is of primary importance in determining its value.

If possible, appraisers should develop their own depreciation schedules or make necessary adjustments to schedules that are available. Local area conditions such as weather and market behavior can significantly affect rates of depreciation for manufactured homes. However, caution must be exercised when using local sales data to develop depreciation schedules. Sales of manufactured homes on leased or rented land (manufactured home parks) frequently have an increment of value attributable to things other than the manufactured home itself.[1] An adjustment for location must be made before using the data to develop depreciation schedules.

COMPARATIVE SALES APPROACH

For most types of property, the selling price of comparable property is the best evidence of market value. In many instances this is also true for manufactured homes. The selling price of a new or used manufactured home purchased from a dealer, free from land or rental site influences, is strong evidence of market value. The same would hold true for a manufactured home and the site it occupies when sold as a unit. When an accurate estimate of land value is possible, the residual offers a good indicator of the home's value. The selling price of a manufactured home that is already set up in a manufactured home park space may require adjustment for the influence of in-park location.

A manufactured home located in a park might sell to a purchaser intending to move the manufactured home from its site in the park, or the management of the park may require its removal. In this event, it is reasonable to assume that part of the purchase price includes some consideration for relocation costs.

[1] See Chapter 3, Comparative Sales Approach, in this manual.

The appraiser should be aware of special relocation problems that can significantly increase the cost of the move. Such problems may include moving of structures, retaining walls, landscaping, or trees. It should also be determined whether the buyer was aware of the actual or potential costs of the relocation when the sale was closed.

In the appraisal of a manufactured home on leased or rented land, it must be remembered it is the manufactured home and its accessories, exclusive of land, that is to be appraised. Exceptions can occur if the land is leased for 35 years or more and the manufactured home is on a permanent foundation system.

It is not unusual that a manufactured home that is set up in a park will sell for more than a comparable unit purchased from a dealer's lot (even when delivery and set-up charges are included in the purchase price). Some of the reasons that a premium price might be paid for an in-place manufactured home can include the following:

1. The purchase price may include items of personal property such as furniture or lawn equipment.

2. The purchase price may include use of improvements installed by the park and not owned by the manufactured home owner.

3. The manufactured home may already be situated and ready for immediate occupancy. It is a "turnkey" deal with landscaping, patios, etc., already in place.

4. Many manufactured home parks require that certain minimum improvements and landscaping be made within a given time after a home is set up. Naturally, this is an added cost and inconvenience that may be reflected in the selling price of an in-place manufactured home.

5. The location of and demand for manufactured home park spaces are probably the most significant value factors to be considered in the sale of a manufactured home on rented or leased space. Where the supply is in excess of demand, the value increment will be small. Conversely, when demand is high and supply is low, the increment of value will be greater. In very desirable locations, such as those overlooking the ocean or fronting a lake or golf course, the supply is normally small and the demand great. It is not unusual for a premium in a significant amount to be included in the selling price for the right to rent these sites. The location and demand for sites within a single park may vary; therefore, the portion of the selling price attributable to the manufactured home location can vary within a given park.

6. The rent structure of a manufactured home park may affect the price paid for an on-site manufactured home. For example, rent controls in effect for a particular park may result in the rents being artificially low. In turn, this will tend to add a premium to selling prices of manufactured homes within the park.

As in any sales comparison approach, the appraiser must consider differences in bargaining position, knowledge, and motivation of both the buyer and seller.

In summary, the appraiser is faced with a difficult, but not impossible, task in applying the sales comparison approach to manufactured homes on rented or leased land in parks. It is especially critical when analyzing each sale to determine exactly what sold, what the intentions of the buyer were regarding possible relocation, and what effect supply, demand, and site value had upon the sale price.

The first two considerations can generally be determined by questioning the buyer and seller. The supply, demand, and location considerations can be estimated by a thorough analysis of the market and considering the opinions of buyers, sellers, park operators, manufactured home dealers, and realtors.

Cost approach estimates are an excellent way of estimating external contributions to the selling prices. In most instances, patterns will emerge for individual manufactured home parks by making cost estimate residuals. Neither the positive nor negative increment of value attributable to location on rented land is assessable, and this statutory requirement must be recognized in the sales comparison approach.

The sales comparison approach is well suited for the valuation of manufactured homes when the land transfers along with the manufactured home. The procedures for applying the sales comparison approach are the same as for conventional residences that are sold with the lot on which they are located. The comparison of land and manufactured home parcels may be difficult due to the scarcity of such transfers and lack of comparability. The cost approach is, again, a good check on the value estimate and will provide a basis for allocating value between land and improvements.

INCOME APPROACH

The income approach is seldom used in valuing manufactured homes, particularly for property tax purposes. The same can be said for conventional single-family residences, although for manufactured homes the income approach is even less applicable.

A gross rent multiplier (commonly included in the market approach) can be developed if there is an active, stable manufactured home rental market. However, since many manufactured home parks prohibit or discourage rentals, this segment of the manufactured home market is likely to be unsuitable for an income approach.

Manufactured homes not located on rented or leased land are not likely to lend themselves to an income approach because of the scarcity of such properties and the lack of a stable, active rental market.

RECONCILIATION AND VALUE CONCLUSION

The reconciliation process is an attempt by the appraiser to explain or reconcile differences that may exist among the different indicators of value. This process occurs after all the data have been obtained and analyzed. The reliability of the data and the validity of each approach should be reviewed.

The cost estimate should be reviewed for the proper application of the cost concept used and for the accuracy of the depreciation estimate.

The review of the sales comparisons should involve an analysis of all adjustments and a rechecking of the arithmetical accuracy of these adjustments. Particular attention should be paid to the validity of location adjustments when in-park sales are used. It is not desirable to base the entire market approach on one sale. If an income approach is used, the appraiser should re-examine the gross rent multipliers (GRM) and the rental market in general. We caution against putting much emphasis on the income approach. If enough sales were available to develop a GRM, then the comparative sales approach would probably provide the better value indicator.

The appraiser should look to the indicators that best fit the subject manufactured home. Mathematical averaging should be avoided. The final value conclusion need not equal either value indicator, but it should be within the indicated value range.

A final procedure is to make an allowance for the value influences or items not already reflected in the indicators. At this point the appraiser must make a value conclusion. This value should be checked once more by asking if the figure is a realistic price for the manufactured home under market value concepts.

Chapter 4: Manufactured Home Financing

Prior to 1980, manufactured home financing arrangements usually consisted of installment loans similar to those offered for automobiles. The lower price of manufactured homes as compared to conventionally built homes was often offset by higher down payments and monthly carrying costs brought about by the short-term installment notes. Financing is now becoming easier for manufactured homes, particularly for those installed on permanent foundations on the owner's land.

As an example, the Federal Housing Administration (FHA) will insure a 30-year loan for 90 percent of the manufactured home's appraised value under the following conditions:[2]

1. The unit must be a double wide or larger manufactured home.

2. The manufactured home must have a composition roof and wood-type siding.

3. The manufactured home must be on a foundation approved by the Department of Housing and Urban Development (HUD). (In order to be on a HUD-approved foundation, the owner must own the site.)

4. Interest rate and loan discount points will be at market price at the time of funding.

5. The maximum loan amount will be from $84,000 to $90,000 depending upon the property location.

Conventional loans are also available for both new and used manufactured homes, but the maximum loan term is usually shorter (up to 25 years) and the down payment is higher.

The Veterans Administration (VA) has recently created a single-interest-rate loan for manufactured homes on owners' lots. Previously, buyers were required to take separate notes (one for land and one for the manufactured home) at two different rates. The VA has also increased its guarantee on loan amounts and increased the term.

It is normally more difficult to obtain loans for manufactured homes on leased or rented land than when the owner owns the site. However, conventional loans are available, and the tendency is toward longer terms and larger loan amounts for these types of loans.

The Manufacturers Housing Institute (the association for manufactured home builders) reports that nationwide installment-type loans with short terms still account for about 70 percent of manufactured home financing. Average loan maturity runs from 10 to 15 years. So despite the important financing breakthroughs, most manufactured home owners still face difficult financing problems.

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[2] Conditions for May 1982.

CHAPTER 5: CLASSIFICATION OF MANUFACTURED HOMES

Classification of a manufactured home as improvement or personal property affects the tax rate in areas where special assessments are levied on improvements; and, more importantly, classification affects taxability if the manufactured home is held for sale or lease by a manufactured home dealer, is owned by a bank, insurance company, [3] or financial corporation, or is owned by a government agency but held by a person or taxable entity (possessory interest). Classification also affects the taxability when the manufactured home is owned by military personnel claiming out-of-state residency.

Briefly, an article is considered to be annexed and therefore part of the real property when:

1. The physical facts and outward appearances manifest an intention that the article be annexed to the realty for some indefinite period of time; or

2. The article annexed is particularly adaptable to the purpose for which the realty is used and removal of the article would completely or materially cause the real property to be unfit for its intended use; or

3. The article annexed is attached to realty by physical means or by its own mass, thus manifesting an outward appearance that the article would remain with the real property for some indefinite period of time.

Many, but not all, manufactured homes meet one or more of the above tests. It would be correct to classify all manufactured homes which are attached to permanent foundations as improvements. All other manufactured homes which are subject to property tax must be inspected in the field by the assessor or the appraisal staff in order to determine the proper classification. We recommend against any arbitrary policy, such as classifying all "single-wides" as personal property and all "multi-wides" as improvements.

Here are examples of manufactured home characteristics as they relate to the above classification tests.

PHYSICAL FACTS AND OUTWARD APPEARANCES

The appearance of the manufactured home as a permanent or as a temporary installation is the most important test for purposes of classification. Neither the owner's personal intent nor a written agreement to either keep the manufactured home in place permanently or to move it within the near future is as important as the appearance of the installation.

Utility hookups provide evidence of permanency for most types of property, but this is not always the case with manufactured homes. Manufactured home utility hookups are usually relatively

[3] Personal property owned by an insurance company and used in the transaction of insurance business is exempt from property taxation.

simple to disconnect without substantial change to either the manufactured home or to the manufactured home park portion of the hookups.

The addition of skirting, porches, awnings, and other items may add evidence of permanency. However, in many cases such items can be removed easily without substantial economic consequence. The appraiser must view the manufactured home and determine whether the manufactured home and its accessories appear to be a permanent or a temporary installation.

ADAPTABILITY TO THE REAL ESTATE

A manufactured home would be particularly adaptable to the purpose of the real estate if substantial property alterations were made for the particular manufactured home. An example would be a retaining wall which is custom-designed for the manufactured home and which would have to be destroyed or would be useless for any other manufactured home.

The fact that a manufactured home park is intended only for manufactured homes does not make a particular manufactured home adaptable to the real estate. Manufactured home park spaces are usually designed to accommodate manufactured homes of various designs and sizes. A manufactured home could be moved out and replaced without detriment or substantial alteration to the site.

PHYSICAL ANNEXATION

If a manufactured home is attached to an approved foundation system, it must be classified as a structure, and it is not subject to the manufactured home property tax laws commencing with section 5800 of the Revenue and Taxation Code.

If a manufactured home is permanently attached to a foundation that is not approved, it should be classified as an improvement and assessed as a manufactured home. If county or state authorities require the manufactured home to be removed from the foundation, the classification should be reviewed.

Manufactured homes are not annexed to real property solely because of their mass. They are heavy, of course, but they are designed to be moved.

DEALERS' INVENTORIES

If the manufactured home is classified as personal property and held for sale or lease in the ordinary course of business, it is exempt from property taxation as business inventory. The business inventory exemption is not applicable if:

- The manufactured home is classified by the assessor as an improvement;
- It has been used by the dealer and is being held for lease (not held for sale);

- It is presently being used by the dealer or by any other person for purposes other than display.

In many cases, dealers have installed manufactured homes in parks. The same tests for classification apply to these manufactured homes as would apply to other manufactured homes. If a manufactured home is classified as an improvement, it cannot be exempted as business inventory.

BANK, INSURANCE COMPANY, OR FINANCIAL INSTITUTION

A manufactured home may be owned on the lien date by a bank, insurance company, or financial corporation, usually as a result of repossession. In such a case, the manufactured home is exempt if classified as personal property and taxable if classified as an improvement.[4]

If a manufactured home is owned by one of the above entities, is classified as personal property, and is leased to a person or to a taxable entity, the assessor must determine whether the lessee is acquiring an equitable interest in the property. If the contract is a true lease, the manufactured home is not assessable. If it amounts to a purchase contract, the manufactured home should be assessed to the lessee.

[4] In the case of insurance companies, the exemption applies only to personal property used in the transaction of insurance business. See *Massachusetts Mutual Life Insurance Company* v. *City and County of San Francisco*, 129 Cal. App.3d 876.

CHAPTER 6: MANUFACTURED HOME DEMONSTRATION APPRAISAL

In the following appraisal of a fictitious manufactured home, the dollar amounts, rates, and factors shown are used to demonstrate appraisal procedures and should not be considered typical. The information and data given are abbreviated in order to emphasize procedures rather than data gathering.

Introduction

The subject property is a five-year-old good quality double-wide manufactured home located in a conventional manufactured home park. The appraisal includes the manufactured home and miscellaneous improvements described herein. The manufactured home is assessed on the local tax rolls.

Location

The manufactured home is located in a well managed and successful manufactured home park containing 300 spaces. The park is not subject to rent controls, and rental amounts are typical for the area. There is a general scarcity of manufactured home park spaces in the community, and the vacancy factor in the park where subject is located is nil.

Description of Subject Manufactured Home

- Manufacturer - Fleetwood Enterprises, Inc.
- Model - Devonshire.
- Type - double-wide.
- Age - 5 years.
- Roof - asphalt shingles.
- Exterior walls - masonite panels with concealed fasteners; painted masonite skirting all around; total floor area 1,440 square feet (24’ x 60’).
- Trim and sash - minimal trim; large house-type sash with picture window. Sliding glass door off dining area.
- Interior - good quality plywood paneling 8 feet high with acoustical plank type ceilings; wallpaper in bathrooms.
- Floors - good quality carpeting in all rooms except baths, kitchen, and utility room; vinyl in these areas.
- Heating - 80,000 BTU forced-air furnace and air conditioning; wood burning fireplace.
- Kitchen - 14-linear-foot Formica counter and good quality cabinets; double kitchen sink, built-in range and oven with hood and fan, built-in dishwasher, and garbage disposal.

- Baths and plumbing - 1 3/4 baths. Garden tub master bath; fiberglass shower with glass door in guest bath. Eight foot plastic marble Pullman with good cabinets. Forty-gallon water heater.
- Bedrooms (2) Master - 10-foot wardrobe with floor to ceiling mirrored sliding doors; guest bedroom has 8-foot wardrobe.
- Insulation - R-22 ceiling insulation; R-11 insulation floor and sidewall.
- Deck - 172 square-foot wooden deck, handrails, skirting and steps (manufactured home floor level).
- Carport - wood post sides, asphalt floor, asphalt shingle roof (600 square feet).
- Skirting - 168 linear feet painted masonite skirting.
- General condition - the manufactured home is in average condition except for following: paneling in guest bedroom damaged, cost to cure $500; damage to toilet and sink in guest bath, cost to cure estimated at $600. Total cost to cure is $1,100.

Assessor's Parcel Number

Subject is on the county's secured tax roll and is assigned parcel number 14-016-01-032. (The manufactured home park is assigned parcel number 14-016-01; space number is added to the parcel number.)

Address

Subject property is located in Valley City, 8500 Pine Street, Space 32.

History

Subject manufactured home was purchased new five years ago and moved to its present site. The original selling price new of the manufactured home is unknown. The property has recently been involved in a family transfer with no monetary consideration. The property is currently assessed on the local tax rolls, and the transfer of ownership requires a revaluation.

Yard Improvements

The yard improvements owned by the park are minimal for subject and all other sites in the park. The driveways and underground improvements are owned by the park. Subject site yard improvements owned by the tenant include only miscellaneous shrubs of nominal value.

Cost Approach

A replacement cost approach of subject manufactured home is demonstrated in the following pages. State Board of Equalization quality class ratings and cost factors are used. The construction specifications indicate the manufactured home is a quality class 7. The additives to the basic unit include the air conditioner, dishwasher, skirting, and fireplace. Miscellaneous improvements include the carport and decking.

The observed effective age of the manufactured home is five years, the same as the actual age. The depreciation table in the Assessors' Handbook indicates that the suggested factor for a five-year-old manufactured home is 87 percent good. The same factor (in **this** example) is applied to the miscellaneous improvements.

An additional $1,100 depreciation is noted for items of deferred maintenance (paneling in guest bedroom and fixtures in guest bath). The appraiser has inspected the manufactured home for other causes of physical depreciation. There are no water stains on the paneling or wallpaper to indicate leaks. The roofing appears sound and the underside shows no signs of water damage or sagging.

The cost approach is summarized on the following Mobilehome Building Record.

MOBILEHOME BUILDING RECORD

Owner's Name: Jenkinson, M.A. Mail Address: 8500 Pine Street, Space 32

PARCEL NO. 14-016-01-032
SITUS: Mobilehome Park

MODEL	TYPE	QUALITY CLASS	YEAR BUILT
Devonshire	[ ] Single Wide [ ] Expando [X] Double Wide [ ] Tag [ ] Triple Wide [ ] Other	7	1979
MANUF. Fleetwood			

EXTERIOR	ROOF STYLE	SKIRTING	ROOMS Description	No.	FLOOR MAT'L	NO. OF PLB FIXT'S	DESCRIPTION
			Entry	1	Vinyl		
Alum. Panels	Arched	Alum. Panels	All		WWC		Plywood Paneling
x Masonite Panels	Flat	Alum. Shiplap	Living	1			
Alum. Shiplap Siding	x Gable	x Masonite	Dining				
Decorative Stone	Cut Up	Fiberglass	Family				
Other	x Pitch: L (M) H	Brick or Stone	Great Rm.				
Exp. Fasteners	x O'Hang 1 Ft.	Other	Den				
WINDOWS	**ROOF COVER**	**HEATING**					
Minimum	Galv. Iron	x Forced Air	Bedroom	3			
x Tract Size	Enameled Steel	Downflow	Dress Rm.				
x Picture (1)	x Asphalt Shgl.	x Upflow					
Bay	Compo.	Wall or Floor	Bath	1	Vinyl	3	Wall Paper
x Slid Doors (1)	Gravel, Rock	Other	Bath ¾	1	Vinyl	3	
x Lin. Ft. 6	Other	Set-up for A/C	Bath ½				
INSULATION	**FOUNDATION**	**COOLING**					
x Floor R-11	Permanent	x Refrig. H.P.	Kitchen	1	Vinyl	1	Wall Paper
x Walls R-11	x Piers	Heat Pump	Bonus Rm.				
x Ceiling R-22	Tie Downs*	Thru Wall	Utility	1	Vinyl		
		Evap. Cool					
			TOTALS				

KITCHEN FEATURES

Cabinets: Hwd Veneer 14 L.F.
Counters: Formica 14 L.F.
Remarks

x Garb. Disp.	x Dishwasher	x Hood-Fan
x Range-Oven	Compactor	Microwave

SPECIAL INTERIOR FEATURES

Bar-Wet, Dry	Hutch	Book Case
x Fireplace FS	x Cath. Ceiling	Extra Bath
x Mirror Drs		x 8' Pullman

SPECIAL EXTERIOR FEATURES

Window Awnings	x Shutters	Shake Roof

MOBILE HOME RATING (E.G.A.F.P.)

Quality	Condition	Appearance	Conform	Location
A	F	A	G	G

PARK RATING (E.G.A.F.P.)

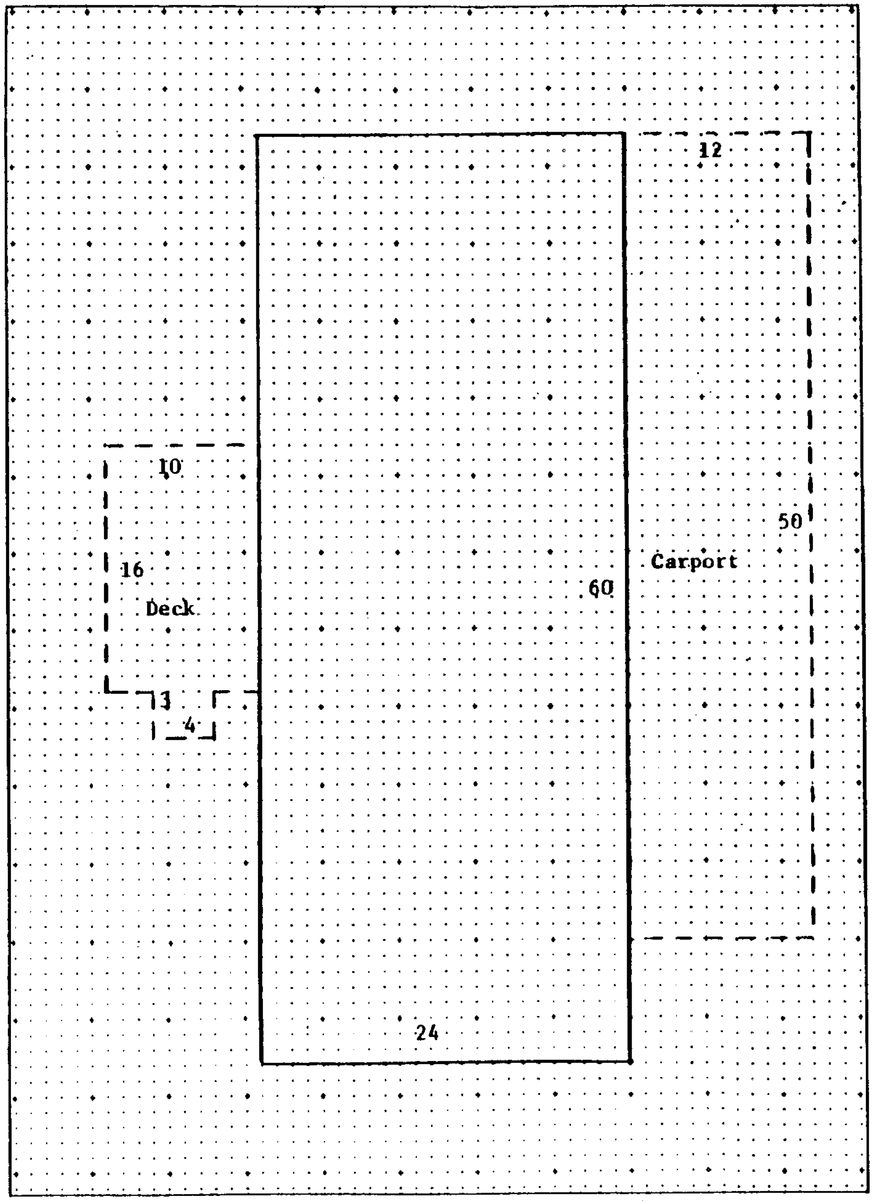
Overall Location	General Appearance	Recreation Facilities	Overall Quality
G	G	G	G

YEAR	DESIGN TYPE	CLASS	EFF. YR.	DEPR. TABLE	SQ. FEET MAIN IMP.	R.C.N. MAIN IMP.	R.C.N. TOTAL	% GOOD	R.C.L.N.D.	ADDL DEPR. Type	ADDL DEPR. ~~XXXX~~	R.C.L.D.	APPRAISER	DATE	REVIEWED	DATE	CO. CK.
1984	MH	7	1979	MH	1440	44930	48750	87	42410	DM	-1100	40700	J.S.	7/84	D.L.	8/84	✓

1983 C.F.

UNIT	19 84 AREA	UNIT COST	COST	19 __ AREA	UNIT COST	COST	19 __ AREA	UNIT COST	COST	19 __ AREA	UNIT COST	COST	19 __ AREA	UNIT COST	COST
Mobile Home	1440	28.22	40640												
Air Conditioning	3 Ton	600	1800												
Evap. Cooler															
Dishwasher	1	425	450												
Bar															
Skirting	168 LF	8.00	1340												
Other Fireplace	1	700	700												
TOTAL R.C.N. MAIN			44930												
Carport/Porch Roof	600	4.50	2700												
Porch (Deck)	172	6.50	1120												
Storage Shed No															
SUB-TOTAL R.C.N.			48750												
Deduct (Singlewides)															
TOTAL R.C.N.			48750												

SBE-ASD AH 530-F FRONT 6-6-80



SBE-ASD AH 530-F BACK 6-6-80

MISCELLANEOUS STRUCTURES

Structure	Found.	Floor	Exterior	Roof	Interior
Deck	Piers	2x6"	Redwood, Handrails, Skirting		
Carport		Asphalt	4x4" Posts	Shed, Comp Shingle	

AREA COMPUTATIONS

Main Areas		Other Areas	
Main		Deck	
24 x 60	1440	4 x 3	12
		10 x 16	160
			172
		Carport	
		12 x 50	600

MISCELLANEOUS INFORMATION

Date	Appraiser	Miscellaneous Information
7/84	J.S.	Deducted for deferred maintenance as follows:
		Paneling, Guest Bedroom - $500
		WC & Lav, Guest Bath 600
		$1100

MARKET DATA

Date	Appraiser	Remarks
7/84	J.S.	3 Sales within park support
		Locational adjustment of $4000±

PERMIT DATA

OWNER'S NAME Jenkinson, M.A.

BUILDER'S NAME

Permit No.	Date	Amount	Improvement
13680	8/79	$1950	Carport

The value indicated by the cost approach is $40,700. The assessor's office has made a current study including sales of manufactured homes in manufactured home parks and on permanent foundations on fee land. The study indicates that the depreciation schedule in Assessors' Handbook 531.35 is within reasonable tolerance for double- and triple-wide manufactured homes up to an effective age of 10 years. However, the study indicates there is a weak resale market for single-wides and all manufactured homes over 10 years old. For this latter group of manufactured homes, the depreciation schedule tends to underestimate depreciation in this local area.

The appraiser concludes that the value of subject property as indicated by the cost approach is $40,700.

Market Approach

The market for manufactured homes located in manufactured home parks has been relatively active. In fact, the appraiser has identified three good recent comparable sales of manufactured homes in the same park as the subject. The following is an array of the comparable properties, quality class, date of sale, square footage of the manufactured home, effective age, and the cash equivalent selling price estimate.

COMPARABLE SALES DATA

Property	Quality Class	Sale Date	Sq. Ft. Size	Effective Age	Cash Equivalent Selling Price
Subject	7		1,440	5	
1	7	1 month ago	1,536	5	$47,500
2	7	1 month ago	1,320	4	$43,300
3	7.5	2 months ago	1,728	6	$54,000

The selling prices shown represent cash equivalencies; adjustments include those for financing and personal property. All sales took place within two months of the date of appraisal for subject; no adjustment is needed for time (example only, appraisers should check actual data).

All comparables are located within the same park as the subject. In this example, we assume the location of the comparables and subject to be equally desirable. All of the sold properties are good comparables. Sale 1 is the same quality class, age, and about 96 square feet larger. Sale 2 is the same quality class, one year newer, and 120 square feet smaller. Sale 3 is one-half quality class better, one year older, and 288 square feet larger.

The following chart summarizes adjustments for age, size and quality class of the comparable sales. Note that these adjustments are made only to basic manufactured home costs, excluding additives, extras and miscellaneous improvements.

COMPUTATIONS FOR AGE, SIZE, QUALITY CLASS ADJUSTMENTS

Property	Effect. Age	Class	Sq. Ft.	Cost Sq. Ft.	RCN	Observed Percent Good	RCLD	Adjustment
Subject	5	7	1,440	$28.22	$40,640	87	$35,360	
1	5	7	1,536	$27.73	$42,590	87	$37,050	$-1,690
2	4	7	1,320	$28.22	$37,250	91	$33,900	$+1,460
3	6	7.5	1,728	$29.45	$50,890	84	$42,750	$-7,390

The above array shows how the combined adjustment for age, size, and quality class is estimated. The subject property is the bench mark for the adjustments. The comparable properties are then adjusted upward or downward. Note that the amount for the items of deferred maintenance for subject (damage to paneling and bath fixtures) is **not** included. This is a separate adjustment and if included here would distort the basis for the adjustment.

A low vacancy factor and an analysis of in-park selling prices indicates that a premium is being paid. This is confirmed by manufactured home dealers, brokers, and owners, who indicate that, in their opinion, a premium of from $3,500 to $5,000 is being paid for manufactured homes located in subject park.

The following array is a demonstration of a residual summary to help estimate a location adjustment for subject site. While the analysis illustrates an upward location adjustment, it is also possible that a downward location adjustment would be necessary in the case of a manufactured home located on a site that is less desirable than the average site.

ANALYSIS FOR LOCATION ADJUSTMENT

Comparable Sales	Sales Price	RCN Main	RCN Adds and Extras	Total RCN	Observed Percent Good	Total RCLD	Location Adjustment (Sale price less RCLD)
1	$47,500	$42,590	$7,520	$50,110	87%	$43,590	$3,910
2	$43,300	$37,250	$5,840	$43,090	91%	$39,210	$4,090
3	$54,000	$50,890	$8,450	$59,340	84%	$49,850	$4,150

The data from the preceding chart indicate that there is an increment of value attributable to location in subject's manufactured home park. The indicated value range for a location adjustment is from $3,910 to $4,150. These values are well within the range estimated by brokers, dealers, and owners ($3,500-$5,000). For the purposes of this example, $4,000 is selected as a location adjustment.

The increment of value attributable to location is considered to be land value and must be deducted from the selling prices of the comparable properties. In this type of analysis, the estimate of effective age is of major importance and an error here can result in a large distortion of the residual.

This demonstration appraisal shows only comparable sales from subject park. It is quite likely that such good comparables may not always be available. If such is the case, the same techniques can be applied to other parks. A less desirable park would probably indicate a lower residual, and a more desirable park a larger one. The amount of the residual is not critical if it can be accurately measured and then deducted from the selling price of the comparable manufactured homes.

The appraiser should be aware that value attributable to location can differ within a single park. Differences in site size, view, frontage, etc., within the same park may very well affect the selling price of the manufactured home. Another point to remember is that very often manufactured home brokers, realtors, and manufactured home dealers can make accurate estimates of the locational influence in the various parks. Their opinions should be solicited and verified.

The following array shows the calculations for adjustments attributable to differences in manufactured home extras, miscellaneous improvements, and condition.

ADJUSTMENTS FOR EXTRA, MISCELLANEOUS IMPROVEMENTS AND CONDITION

Property	RCN Extras Miscellaneous Improvements	Percent Good	RCLD Extras and Miscellaneous	Adjustment for Extras and Miscellaneous	Adjustment for Condition
Subject	$8,110	87%	$7,056		
1	$9,400	87%	$8,180	$-1,124	$-1,100
2	$7,300	91%	$6,640	$ + 416	$-1,100
3	$10,560	84%	$8,870	$-1,814	$-1,100

The adjustments for extras and miscellaneous improvements are estimated by comparing the depreciated replacement costs of these items on the sold properties with those on subject. The difference between the two is used for the adjustment.

The adjustment for condition is based upon the assumption that subject has $1,100 in deferred maintenance. None of the comparables had any observed deferred maintenance, so the $1,100 adjustment was made for all of the comparables.

The next array is a summary of the various comparisons and adjustments used in the sales comparison approach. The adjustments shown in this sample appraisal are for location, quality, age, size, condition, extras, and miscellaneous improvements. Although not shown, the selling prices were adjusted for cash equivalency. In other situations there may be more factors for the appraiser to consider, such as a time adjustment or an adjustment to move and set up a manufactured home that is to be moved upon resale.

TOTAL ADJUSTMENTS AND SUBJECT'S INDICATED VALUE

Property	Cash Equivalent Price	Location	Quality and Size	Condition	Extras and Misc. Imps	Overall Adjust-ment	Indicated
1	$47,500	$-4,000	$-1,690	$-1,100	$-1,124	$-7,914	$39,586
2	$43,300	$-4,000	$+1,460	$-1,100	$+416	$-3,224	$40,076
3	$54,000	$-4,000	$-7,390	$-1,100	$-1,814	$-14,304	$39,696

The value as indicated by the sales comparison approach provides a range of $39,568 to $40,076. In the appraiser's opinion, the best comparable and the one requiring the least amount of adjustment is Property Number 2. This comparable indicates subject's value to be $40,076, rounded to $40,100. Since this value is within the range of the other two comparables, it is the appraiser's conclusion that the sales comparison approach indicates the value of subject property to be $40,100.

Reconciliation And Value Conclusion

The nature of subject property is such that an income approach is not applicable; therefore, the appraiser must rely upon the cost and sales comparison approaches. In this instance both the cost and sales comparison approaches are felt to be very good value indicators.

The cost approach is felt to be a very good indicator because:

1. The subject manufactured home is relatively new and has only a small amount of deferred maintenance (for which the cost-to-cure can be reliably estimated);

2. A market study by the assessor indicates the depreciation table relied upon is within reasonable tolerance;

3. The subject manufactured home is a common model whose quality class is estimated easily; and

4. The extras and miscellaneous structures have utility and are typical for the area, lessening the likelihood of overimprovement.

The sales comparison approach is felt to be an equally reliable indicator of value because:

1. Good comparables are available within the same manufactured home park as subject;
2. Time adjustments were not necessary;
3. The comparables were very similar to subject in age, size, and quality class;
4. Excellent indicators of a park increment adjustment were developed (a narrow range indicated by residual and reliable information from informed sources); and
5. The range of value indicators by the sales comparison approach is very close.

The value indicated by the cost approach is $40,700 and the value indicated by the sales comparison approach is $40,100. Both approaches are felt to be equally valid, and the appraiser's estimate of value for subject manufactured home is $40,500.

Comments Regarding The Demonstration Appraisal

The intent of the demonstration appraisal is to illustrate appraisal techniques. There are variations of the techniques demonstrated, and it is not intended to imply that only those methods shown in the demonstration appraisal are correct. The value indicators, adjustments to comparables, etc., were tailor-made for this demonstration. The indicators of value, value ranges, and adjustments were very obvious. This may very well not be the case when making actual appraisals. The appraiser may have to modify the techniques shown and be called upon to make more difficult judgments in arriving at a final conclusion of value. As with any appraisal, the quality of the value estimate of a manufactured home is directly proportionate to the amount and quality of the data collected and the judgment of the appraiser.

GLOSSARY

Each industry has its own special terminology that is assumed to be common knowledge by all people associated with that particular field. Knowledge of these terms is considered to be so basic that they are seldom defined. The purpose of this glossary is to familiarize the appraiser with the nomenclature of manufactured home construction, manufactured home financing, and manufactured home communities.

Many of these definitions are from *Mobilehome Salesmaker's Guide* published by Owens-Corning Fiberglas Corporation.

Parenthetical references are to California code sections unless otherwise noted.

Add-On Interest — The most common type of interest charge made for financing consumer items such as appliances, automobiles, manufactured homes, and recreational vehicles. The annual interest charge is calculated for the full term of the contract, then added to the amount borrowed, and divided by the number of months of the contract. A 7 percent add-on interest rate equates to 11 1/2 percent simple interest on a 15-year manufactured home loan.

Alcan/Siding — (See Horizontal Shiplap Siding.)

ANSI (American National Standards Institute) — The national coordinating institution of voluntary standardization in the United States. The Standard for Mobile Homes, ANSI A119.1-1975, is the voluntary national standard subscribed to by members of the Manufactured Housing Institute and is endorsed by 46 states. This standard for manufactured homes has been used extensively by Department of Housing and Urban Development in the development of federal standards for manufactured homes.

Back Money — Refers to the profit that the dealer receives from items other than the sale of a manufactured home or accessories and on which the dealer pays no sales commission. The two major items in Back Money are Dealer Reserve (Participation) and Insurance Commissions.

Batten Insulation — Type of insulation packed in between studding or rafters to reduce the transmission of heat and cold and to reduce fire hazard. (See also Blanket Insulation.)

Batten Molding — A narrow board or flat molding used to cover the space between or juncture of sheathing siding boards or two wall panels. (Usually a long, narrow, strip of wood or metal, curved, formed with regular channels and projections, or plain.)

Blanket Insulation	Wide, roll-type insulation usually used in floors and ceilings. (See also Batten Insulation.)
Bottom Board	A durable asphalt impregnated paper or plastic product which seals the bottom of a home.
Bottom Rail	The lowest portion of the side wall to which the studs are fastened.
Breaker Box (Panel Box)	Location of circuit breakers--point of entrance of electricity to home.
Celotex	A paper composite ceiling with high insulating properties.
Chip Core (Particle Board)	A composite board of high strength; used for flooring in place of plywood.
Commercial Coach	A structure transportable in one or more sections designed and equipped for human occupancy for commercial, industrial, or professional purposes, which requires a permit to be moved; it includes a trailer coach and it must be licensed by HCD. (Health and Safety Code, section 18001.8.) It is not subject to property tax assessment.
Conditional Sales Agreement	This is another name for a contract. It is an agreement between the dealer and buyer in which both the buyer and dealer agree to conditions set forth in the contract.
Condominium	An estate in real property consisting of an undivided interest in common in a portion of a parcel of real property together with a separate interest in space in a residential, industrial, or commercial building on such real property, such as an apartment, office, or store. A condominium may include in addition a separate interest in other portions of such real property. Such estate may, with respect to the duration of its enjoyment, be either (1) an estate of inheritance or perpetual estate, (2) an estate for life, or (3) an estate for years, such as a leasehold or a sub-leasehold. (Civil Code, section 783.)
Contingent Liability	Commonly used to express the potential liability a manufacturer has under the terms of a repurchase agreement.
Contract	(See Paper.)
COS Box (Cosmetic Box)	A small medicine cabinet used in a bathroom or dressing room.
Coved Counter Top	One-piece curved counter top.

Curtailment (Reduction) This is a reduction in the principal amount owed on units in the dealer inventory which are floor planned. The bank and the manufacturer, through their repurchase agreement, require that the principal amount be curtailed or reduced to compensate for age and wear and tear.

Dead Axle An axle without brakes. (See also Live Axle.)

Dead Load Refers to the mass (weight) of the structure or subassembly itself. (See also Dynamic Load and Live Load.)

Dealer Buy Rate In traditional mobilehome financing, interest is calculated on an add-on basis. The difference between the cost of the financing to the dealership and the cost of financing to the retail consumer by the lending institution is known as his "buy rate." A good quality dealership will normally have a more preferential buy rate, which allows the dealer to make more on participation while charging the same interest rate to the consumer as a competitor might charge. Typically, if a dealer's buy rate is 14 percent, cost to the consumer would be 15 percent to 15 1/2 percent, depending upon how much the dealer can charge and still make the sale.

Dealer Repurchase Agreement (See Repurchaser Agreement.)

Dealer Reserve (Participation) A fixed amount of the add-on interest rate set aside by the lending institution on behalf of the dealer to protect the lender on future repossessions should the dealer go out of business. If the dealer remains in business, the reserve belongs to the dealer once the loans are paid off. Common business practice now dictates that the dealer receive a portion of the reserve amount on each loan at the time the loan is funded. Dealer Reserve (Participation) has become a substantial part of the dealer's net income over the past several years.

Dependent Mobilehome One not equipped with a toilet for sewage disposal. (Health and Safety Code, section 18212(a).) (See also Independent Mobilehome and Self-Contained Mobilehome.)

DOH (See HCD.)

Double-Wide	A manufactured home composed of two single sections, usually of the same size, that are perfectly matched. Each unit has its own chassis; they are towed to the home site and buckled together to form one living unit. (See also Expandable, Quad-Wide, Single-Wide, Tag/Tag-A-Long Section, and Triple-Wide.)
Down-Flow Heating System	A heating system that has distribution ducts in the floor. (See also Up-Flow Heating System.)
Dynamic Load	The forces induced by motion of the structure such as flexing, inertial g-forces (caused by starting and stopping), and vibration. (See also Dead Load and Live Load.)
End Wall	The front and rear walls of a manufactured home. (See also Shear Wall and Side Wall.)
Expandable (Expando)	A manufactured home, usually a single-wide, that has an addition(s) to the basic rectangular floor plan. The addition(s) is/are usually carried inside the basic structure while it is being towed to the home site, and is/are joined to the basic manufactured home at the site, adding to the overall square footage of the manufactured home. (See also Tag/Tag-A-Long Section.)
Factory-Built Housing	A dwelling unit, residential building, or an individual dwelling room or combination of rooms thereof, or building component, assembly, or system manufactured in such a manner that all concealed parts or processes of manufacture cannot be inspected before installation at the building site without disassembly, damage, or destruction of the part, including units designed for use as part of an institution for resident or patient care, which is either wholly manufactured or is in substantial part manufactured at an off-site location to be wholly or partially assembled on-site in accordance with building standards published in the State Building Standards Code and other regulations. Factory-built housing does not include a commercial coach, a manufactured home, manufactured home accessory building or structure, or a recreational vehicle. (Health and Safety Code, section 19971.)

FHA/VA Financing FHA/VA financing is backed by the Government National Mortgage Association and provides lower down payments and longer terms than typical manufactured home loans. (The difficulty in meeting the regulation of FHA loans, which require manufacturer participation in the cost, and VA loans, which involve complicated paperwork and take a long time, has slowed the acceptance of these programs. In addition, there is resistance on the part of the dealership because participation (reserve) is eliminated.)

Fish Plate A method of reinforcing steel; sometimes used on manufactured home frames.

Floor Planning (Flooring) This term originated from financing of materials on a display floor. It is a method of financing a dealer's inventory. The dealer's floor planning source (bank, finance company, or savings and loan) will normally loan 100 percent of the invoice amount at simple interest rates. The flooring source does not make a profit on the floor plan interest charge but provides this service to the dealer in exchange for obtaining retail contracts, on which the flooring source makes a substantial profit.

Foundation System Health and Safety Code, section 18551, sets the standards to be met for an approved manufactured home foundation. In addition it requires that a building permit be issued from a local agency for the construction of the foundation and that the manufactured home owner submit proof either that he or she owns the land or has a transferable lease for exclusive use of the land for a term of 35 years from the date of application for a building permit as required by this section.

FTC (Federal Trade Commission A federal enforcement agency which promulgates trade regulations and rules, after being empowered to do so by federal law, and then enforces these rules. Major provisions of these rules cover warranties, service agreements between manufacturers and dealers, two inspections on manufactured homes after delivery to the retail consumer, and time periods in which service must be completed.

Galvanized Steel Treated steel which resists rust and corrosion.

Galvanized Strapping Metal strapping used to connect the floor and side walls.

HCD (DOH)	Department of Housing and Community Development (formerly Division of Housing), State of California. The state agency which enforces manufactured home construction standards in California. HCD (DOH) is the best known of all state manufactured home enforcement agencies since the first state-enforced standards were adopted by California on September 1, 1958.
High Pressure Laminate	Sink and counter top covering; brand names such as Formica, Micarta, and Nevamar.
Horizontal Shiplap Siding (Alcan/Siding)	Aluminum siding, usually prefinished with baked enamel but textured to resemble wood lap siding. Lap siding is usually backed with an insulating and sound-deadening material such as foam core, insul-board, or temlock.
HUD (Department of Housing and Urban Development	The federal agency, headed by a cabinet officer, which oversees all federally sponsored housing programs and administers the federal manufactured home construction and safety standards.
I-Beam	Type of steel member shaped in cross section like the capital letter "I." (See also Ridge Beam.)
Improvements	Improvements includes: (a) All buildings, fences, fixtures, and structures affixed to or erected on the land; and (b) all fruit, nut bearing, or ornamental trees and vines, not of natural growth, and not exempt from taxation, except date palms under eight years of age. (Revenue and Taxation Code, section 105.)
Independent Mobilehome	One equipped with a toilet for sewage disposal. (Health and Safety Code, section 18212(b).) (See also Dependent Mobilehome and Self-Contained Mobilehome.)
Installation	The assembly of factory-built housing on-site and the process of affixing factory-built housing to land, footings, a foundation or an existing building. (Health and Safety Code, section 19974.)
Junior Lienholder	A person, other than a legal owner, having a perfected security interest in a commercial coach or manufactured home. (Health and Safety Code, section 18005.3.)

Legal Owner	A person holding a primary security interest in a manufactured home or commercial coach as evidenced by a certificate of title. Where there is no separate security interest, the registered owner shall also be the legal owner. (Health and Safety Code, section 18005.8.)
Live Load	Refers to a load that is not constant in its application upon the structure (such as wind and snow to the exterior and furniture, occupants, personal possessions, etc., to the interior) and is in addition to the weight of the structure. (See also Dead Load and Dynamic Load.)
Live Axle	An axle with brakes. (See also Dead Axle.)
Manufactured Home	Means a mobilehome. (Health and Safety Code, section 18007.)
Manufacturer's Repurchase Agreement	(See Repurchase Agreement.)
Manufacturer's Statement of Origin (MSO; MCO: Title)	All refer to the document initiated by a manufacturer which originates title to a manufactured home or recreational vehicle. In the automobile business, the title is commonly referred to as a "pink slip." In most states ownership cannot be passed without the title (MSO; MCO) changing hands. In some states, including California, it is possible for the dealership, through the report of sale, to pass ownership to a consumer without the consumer receiving clear title.
Mastermeter	Gas or electric meter that shows the grand total of all of the energy used in the park. (The park owner is usually rebated 25 percent on the gas and 15 percent on the electricity each month to pay for his operation.) (See also Sub-meter.)
MCO	(See Manufacturer's Statement of Origin.)

MHI (Manufactured Housing Institute

A national association of manufactured home manufacturers and suppliers formed September 1, 1975, through the merger of Mobile Home Manufacturers Association (MHMA), based in the Midwest, Trailer Coach Association (TCA), originally founded in 1937-38 and based in the West, and Southeastern Manufactured Housing Institute (SEMHI). MHI is a nonprofit organization servicing the manufactured-housing industry. It promotes industry growth and welfare by seeking to provide better operating tools to its businessmen and women, thus enabling them to provide more economical distribution of manufactured homes to the United States consumer. MHI is voluntarily supported by manufacturers, suppliers, and other associate members engaged in the production and/or sales of products in the industry. The association provides a construction standards department and educational services to its members, including consulting services, films, marketing statistics, national advertising, national and retail shows, publications, public relations, seminars, and training programs. Also, most of the manufacturers in the West belong to Western Manufactured Housing Institute (WMHI), which services the western states.

Mobilehome

A structure transportable in one or more sections, designed and equipped to contain not more than two dwelling units, to be used with or without a foundation system. A mobilehome is a trailer coach which is in excess of eight feet in width or in excess of forty feet in length. In California mobilehomes were subject to the registration requirements of the Vehicle Code until July 1, 1981, when they became subject to the Health and Safety Code. Mobilehome does not include a mobilehome which has become real property by being affixed to land on a permanent foundation system or otherwise and is taxed as all other real property is taxed. Mobilehome does not include a commercial coach, factory-built housing, or recreational vehicle. (Health and Safety Code, sections 18008, 18075, 18075.5, and 18211; Revenue and Taxation Code, section 5801(b); and Vehicle Code, section 396.) (See Manufactured Home.)

Mobilehome Accessory Building or Structure

Any awning, portable, demountable, or permanent cabana, carport, residential garage, fence, porch, ramada, storage cabinet, windbreak or other building or structure established for the use of the occupants(s) of a manufactured home. (Health and Safety Code, sections 18008.5 and 18213.)

Mobilehome Park — Any area or tract of land where two or more manufactured home lots are rented or leased or held out for rent or lease to accommodate manufactured homes used for human habitation. The rental paid for any such manufactured home shall be deemed to include rental for the lot it occupies. (Health and Safety Code, section 18214.)

MSO — (See Manufacturer's Statement of Origin.)

Multiple-Unit Mobilehome — Two or more units that are fabricated or manufactured for later assembly as a single unit, which are actually sold to be assembled into a single unit. (Health and Safety Code, section 18080.3.)

Multiple-Width Mobilehome — A Multiple-Unit Mobilehome. (See also Double-Wide, Quad-Wide, Single-Wide, and Triple-Wide.)

NFPA — National Fire Protection Association. Developed NFPA501-B standard for manufactured homes jointly with industry associations. Developed first standard for trailers in 1940, known as "Standards for Fire Prevention and Fire Protection in Trailer Coaches and Trailer Courts." The NFPA501-B - ANSI A119.1 was a joint standard, now superseded by HUD standards.

Non-Recourse Financing — The party arranging the loan assumes sole liability should the retail consumer default. In order to provide non-recourse financing, the lending institution secures their position by obtaining mortgage guarantee insurance. (See also Recourse Financing.)

Out of Trust — Refers to the situation where the dealership violates an agreement of trust. In simple terms, it means the dealer sells something not owned and not paid for. In the manufactured home industry, out of trust situations can occur in two ways:

a. The dealership sells a manufactured home or recreational vehicle, which has not yet been floor planned by the bank, without paying the manufacturer. In this instance, the manufacturer is harmed and has the responsibility of solving the out of trust sale and collecting the money.

b. The dealer sells a manufactured home or recreational vehicle, which the bank has floor planned, without paying off the bank. In this instance, the bank is harmed and has the responsibility for the unit sold out of trust.

Owners' Association A nonprofit association or corporation created to lease, to own, or to provide control, maintenance, management, and preservation of either the contiguous or noncontiguous areas, lots, or parcels, of a real estate development, or the separately owned areas, lots, or parcels, or both, or any interest in or portion of them; provided, that the certificates of membership or shares are transferable only by the transfers of the separately owned area, lot, or parcel. Such certificates of membership or shares of stock are interests in a real estate development. (Business and Professions Code, section 11003.1 and Corporation Code, section 25100(f).)

Paper (Contract) In financial circles, the extension of loans by a lending institution is referred to as generating paper; the term "paper" arose from the material of which sales contracts were made. In other words, if a bank is generating a lot of paper, or a dealer is generating a lot of paper, they are simply financing a lot of manufactured homes or recreational vehicles.

Participation (See Dealer Reserve.)

Personal Property All property except real estate. (Revenue and Taxation Code, section 106.)

Planned Development A real estate development, other than a community apartment project, a project consisting of condominiums, or a stock cooperative, having either or both of the following features: (a) Any contiguous or noncontiguous areas, lots, or parcels owned in common by the owners of the separately owned areas, lots, or parcels consisting of areas or facilities whose beneficial use and enjoyment is reserved to all or some of the owners of separately owned areas, lots, or parcels. (b) Power exists to enforce any obligation in connection with membership in the owners' association, or any obligation pertaining to the beneficial use and enjoyment of any interest in, or any portion of, either the commonly or separately owned areas, lots, or parcels, by means of an assessment or levy which may become a lien upon the separately owned areas, lots, or parcels of defaulting members or owners, which said lien may be foreclosed in any manner provided by law for the foreclosure of deeds of trust or mortgages, with or without power of sale. (Business and Professions Code, sections 11003, 11003.1, 11003.2, 11004; and Civil Code, Section 783.)

Putty Tape Putty in tape form used to seal doors, windows, etc., on a manufactured home.

Quad-Wide A manufactured home composed of four sections, each with its own chassis. (See also Double-Wide and Triple-Wide.)

Recourse Financing For years, typical consumer financing in the manufactured home/recreational vehicle business was recourse financing. In this type of financing, the bank has recourse against the dealer if the homes sold by the dealer are repossessed. In common terminology, the dealer refers to this as "signing on the paper.": (See also Non-Recourse Financing.)

Recreational Vehicle A camping trailer, motorhome, travel trailer, or truck camper, with or without motive power, designed for human habitation for emergency or recreational occupancy, and having a living area less than 320 square feet. (Health and Safety Code, section 18010.)

Reduction (See Curtailment.)

Registered Owner A person registered as the owner of a commercial coach or manufactured home, subject to the security interest of a legal owner. (Health and Safety Code, section 18009.5.)

Repurchase Agreement The manufacturer's repurchase agreement is a written agreement between the manufacturer and bank whereby the manufacturer agrees to repurchase units in the dealer's inventory should the dealer default in his obligations or go out of business. A dealer's repurchase agreement is a written agreement between the dealer and lender whereby the dealer agrees to buy back manufactured homes from the bank in which the retail consumer has defaulted on loan payments.

Ridge Beam A beam, usually laminated of plywood sections, which transmits ceiling load in multiple-width manufactured homes. The ridge beam is normally located at the center of the home, and rafters are attached directly to it. A properly designed ridge beam allows the use of a large, open span in a manufactured home along its longitudinal axis, the direction the ridge beam usually runs. (See also I-Beam.)

Roll-Formed Aluminum Typical trailer-type siding used for many years on manufactured homes. Usually 19/1000 of an inch thick, with a baked enamel finish, and typically installed in vertical sections 32 inches or 48 inches wide.

Rule of 78s The rule of 78s is the method in which a lender using add-on interest achieves the same effect as a prepayment penalty in a conventional simple-interest home loan. The rule of 78s is a mathematical formula applied to the monthly payments which more heavily loads the interest charge in the early monthly payments.

Security Agreement A security agreement, as specified by the Uniform Commercial Code (UCC), replaces the trust receipt. A security agreement between the lender and dealer eliminates the need of having an individual document (trust receipt) initiated for each home. While most states accept the Uniform Commercial Code, banks, finance companies, and savings and loan institutions have been slower to change from the traditional trust receipt, even though the security agreement gives them more legal protection.

Self-Contained Mobilehome One equipped with a toilet, water storage tank for potable water, and sewage holding tank. (Health and Safety Code, section 18212(c).) (See also Dependent Mobilehome and Independent Mobilehome.)

Service Companies Service companies entered the manufactured home and recreational vehicle business around 1967. The service company acts as a broker between the dealer and lender by providing mortgage guarantee insurance. The service company induces a bank or savings and loan to enter the manufactured home and recreational vehicle financing fields without creating a separate department in the institution. In particular, service companies were successful in launching savings and loan institutions into high-yield manufactured home loans without having to set up separate consumer financing departments. The service company derives its income from a commission charged in terms of interest rate on loans they arrange. Initially, service companies provide non-recourse financing for the dealership in exchange for reduced dealer participation.

Shear Wall A wall (not an exterior wall) designed to support the horizontal live loads through the structure to the chassis. (See also End Wall and Side Wall.)

Side Wall The outside walls of a manufactured home. (See also End Wall and Shear Wall.)

Single-Wide A manufactured home composed of one unit and shipped on a single chassis. A modern single-wide offers about 900 square feet of actual living space; it will usually measure 12 or 14 feet wide by up to 70 feet long. (See also Double-Wide, Expandable, and Triple-Wide.)

Special Purpose Commercial Coach A vehicle, with or without motive power, designed and equipped for human occupancy for commercial, industrial, or professional purposes, which is not required to be moved under permit; it includes a trailer coach. (Health and Safety Code, section 18012.5)

Stock Cooperative A stock cooperative is a corporation which is formed primarily for the purpose of holding title to improved real property either in fee simple or for a term of years. Substantially all of the shareholders of such corporation receive a right of exclusive occupancy in a portion of the real property, which right of occupancy is transferable only concurrently with the transfer of the membership certificate (or share of stock) in the corporation held by the person having such right of occupancy. The term stock cooperative does not include a limited-equity housing cooperative. (Business and Professions Code, sections 11003.2 and 11003.4.)

Strong Back A structural member joining the rafters together in a ceiling.

Sub-Ceiling A second or additional layer in manufactured home ceiling construction. The sub-ceiling is attached directly to the ceiling joists/rafters, and then the acoustical ceiling is installed on the sub-ceiling. Typical materials used in sub-ceiling are gypsum board, ply-veneer or plywood, and sheet-rock (a trade name for gypsum wallboard).

Subdivided Lands (See Subdivision.)

Subdivision	Subdivision refers to improved or unimproved land divided for the purpose of financing, lease, or sale, whether immediate or future, into five or more parcels. However, if such land is sold by parcels of not less than 160 acres which are designated government surveys and appear as such on the current assessment roll, such land is not subdivided lands, unless divided for the purpose of sale of gas and oil. This definition does not apply to the leasing of apartments, offices, stores, or similar space within an apartment building, commercial building, or industrial building, or manufactured home park, except that the offering of leases for a term in excess of five years to tenants within a manufactured home park as a mandatory requirement and prerequisite to tenancy within the manufactured home park, is a subdivision. (Business and Professions Code, sections 11000, 11000.1, 11000.5, 11004, 11004.5; and Government Code, section 66424.)
Sub-Meter	Meters, usually located in the rear area of each manufactured home's carport, that the park landlord uses to bill each tenant for utilities. Such meters are not installed when parks use a "flat rate" (wherein energy expenses are included in the rent) or when tenants are billed direct from the local power company. (See also Mastermeter.)
Tag/Tag-a-Long Section	A third section to a manufactured home, usually shorter in length than the other sections, which is shipped on its own chassis. (See also Double-Wide and Triple-Wide.)
Title	(See Manufacturer's Statement of Origin.)
Travel Trailer	A vehicle, other than a motor vehicle, which is designed or used for human habitation and which may be moved upon a public highway without a chauffeur's license or special permit or both, without violating any provision of the Vehicle Code. (Health and Safety Code, section 18219.)
Travel Trailer Park	Any area or tract of land, or a separate designated section within a manufactured home park where one or more lots are leased or rented or held for lease or rent to owners or users of recreational vehicles used for recreational or travel purposes. (Health and Safety Code, section 18220.)

Triple-Wide A manufactured home composed of three sections, each with its own chassis. (See also Double-Wide, Quad-Wide, Single-Wide, and Tag/Tag-A-Long Section.)

Trust Receipt An agreement of trust entered into between the dealer and bank, specifying conditions relating to a manufactured home. The trust receipt secures the bank, and payment is not issued to the manufacturer until the dealer signs the trust receipt.

Up-Flow Heating System A heating system that has distribution ducts in the ceiling and usually has return air through the floor. (See also Down-Flow Heating System.)

VA Financing (See FHA/VA Financing.)

WMHI (Western Manufactured Housing Institute) An association of western manufactured home manufacturers and suppliers founded in March 1977. The purpose of this association is to promote industry products in the western region of the United States, with particular emphasis on land use and legislative issues, to be coordinated through state dealer organizations. This new association covers the geographic area formerly covered by TCA (Trailer Coach Association), originally founded in 1937-38.

Window Garnish The molding or trim that finishes a window installation from the inside.

XX (B Section) The half of a double-wide home without electrical or plumbing termination. (See also XXU.)

XXU (A Section) The half of a double-wide manufactured home which traditionally has had the majority of utilities in it, but always has the electrical and plumbing connections/termination. (See also XX.)